



OXFORD ANALYTICA

COLOMBIA

FISCAL TRANSPARENCY

Country Report 2005

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5 Alfred Street
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COLOMBIA



COMPLIANCE RATINGS

<i>Fiscal transparency</i>	2005	2004	2003	2002
Clarity of roles	•••	•••	--	•••
Availability of information	•••	•••	--	•••
Budget preparation	•••	•••	--	••
Accountability	••••	••••	--	••••
Score	3.25	3.25	--	3.00

OUTLOOK & COMMENTARY

Fiscal transparency in Colombia continues to make steady progress. Congress did not approve the revised Budget Code that had been set to address many concerns regarding the transparency and efficiency of the budget process. The code was diluted by congressional amendments to the point that the government felt forced to withdraw it. The government intends to implement as many provisions as possible of the revised Budget Code by presidential decree (expected to be passed before the end of the year), and will submit the remaining provisions as part of smaller laws. In the meantime, many of the provisions of the Budget Code are already being implemented.

The most significant upcoming reforms to watch for include a reform to the tax code designed to strengthen, simplify and unify the tax structure to increase its efficiency (to be presented in March 2006), and a reform to regional transfers (to be presented in 2007).

The campaign for the presidential elections to be held in May 2006 will likely slow any further significant legislative progress towards improved transparency before the election of a new government.

EXECUTIVE SUMMARY

3.25 Enacted

Colombia has continued to make steady progress in improving fiscal transparency over the past year. Congress did not approve the revised Budget Code that had been set to address many concerns regarding the transparency and efficiency of the budget process, instead diluting its provisions to the point that the government withdrew it. The government intends to implement as many provisions as possible of the revised Budget Code by decree, and will submit the remaining provisions as part of complementary laws. Several provisions of the revised Budget Code are already being implemented, such as the improved availability of information on tax expenditures, contingent liabilities, quasi-fiscal activities, and mid-year budget reporting. Colombia complies with the IMF Special Data Dissemination Standard (SDDS). The government has started to implement the IMF Government Finance Statistics Manual 2001 (GFS 2001); it is expected to be fully compliant at the national and sub-national levels by 2008.

The Fiscal Responsibility Law of July 2003 provided a framework for short- and medium-term fiscal planning. This has led to improved evaluation of factors that generate expenses across different budgeting periods, and of the financial impact of new laws. The objective is that by 2007 the Fiscal Responsibility Law will be fully applied. The Medium Term Fiscal Framework (MTFF) improved this year in terms of the availability of information, forecasts, contingent liabilities, tax exemptions and quasi-fiscal expenditures. There has also been a significant improvement in access to, and timeliness of, budget information (particularly online). Another improvement for 2005 has been that there was no additional budget presented to Congress. In general, there has been a more efficient and transparent management of the budget this year.

Central government expenditure administration continues to be constrained by a number of rigidities including regional transfers, mandatory transfers to the public pension system, and multi-annual expenditure for important investment projects. The revised Budget Code was set to reduce revenue earmarking and scale back multi-annual commitments. This will not be addressed by the upcoming presidential decree, so the Ministry of Finance (MoF) plans to submit a budget flexibility project to Congress separately. In December 2004, the government withdrew a major tax reform bill, which sought to reform the tax structure, in the face of opposition in Congress. However, the government intends to submit legislation designed to simplify and unify the tax structure to increase its efficiency.

The Organic Law of Territorial Organisation, which seeks to improve clarity in the roles and responsibilities of different levels of government, has still to be approved by Congress. In terms of sub-national budgetary reporting, there is a lack of systematic monitoring and integration of complete fiscal data. However, progress has been made over the past year in improving the regional budget reporting systems. As of 2008, the current temporary system of transfers from the central government to regional governments (which has resulted in improved fiscal discipline at the regional level) expires, and revenue sharing is to return to the pre-2002 system, which poses a potential risk to the finances of the central government. By the end of 2005 the government intends to publish a report evaluating the current system, with a view to ensuring medium-term fiscal sustainability at all levels of government.

Privatisation has progressed with the sale of Granahorrar on 31 October 2005 for more than twice the anticipated price. Finally, given that the public pension system depleted its reserves in 2004, mandatory transfers have started to increase sharply. Pension payments will peak in 2007, but they will start decreasing thereafter owing to a legislative act reforming the pension system, passed by Congress on 20 June 2005. The new law eliminates special pension regimes and one of the 14 annual payments to pensioners, and it caps monthly pension payments at 25 times the minimum wage. The long-term nature of the reforms means that their immediate fiscal impact is limited.

Colombia's overall score is unchanged from last year.

1. CLARITY OF ROLES, RESPONSIBILITIES, AND OBJECTIVES



Enacted

The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.

Structure, functions, and responsibilities of government

The structure and responsibilities of the public sector are well defined in the 1991 Constitution.¹ Colombia is a decentralised republic, with a national government and sub-national departments and municipalities. The state is divided into autonomous legislative, executive, and judicial branches. Other entities of the state include the central bank (*Banco de la República* -- BanRep), the Office of the Attorney General, the Office of the Comptroller General of the Republic, the Office of the Prosecutor General, the National Electoral Council, the National Registry of the Civil State, and the National Television Commission. The national government, the departmental governors and the municipal mayors constitute the executive power, while the national congress, the departmental assemblies, and the municipal councils constitute the legislative branch.

The Colombian government continues to make progress in clarifying the roles and responsibilities of the national and sub-national governments, albeit in a somewhat disorganised fashion. Roles and responsibilities are governed by Constitutional Reform 01 of 2001 and Law 715 of 2001.² The Organic Law of Territorial Organisation (*Ley de Ordenamiento Territorial*), which seeks to improve clarity in these roles and responsibilities, has still not been approved by Congress.³ Commentators judged that over the past year, there has been an increased diffusion of the lines dividing national and regional responsibilities. They noted that this is in part a result of President Uribe's management style, and his propensity to 'micro-manage'. The IMF has also recommended strengthening fiscal coordination among the different levels of government, perhaps by establishing an agency that would monitor and coordinate the budgets of the different levels of government.⁴

At present, Congress has delegated broad powers to the president to reform and modernise the national public administration in order to increase administrative efficiency and reduce administrative costs.⁵ The reform is currently being implemented.⁶ Reform to the public administration has resulted in a saving of only 0.1% (net) of GDP thus far, so the fiscal impact in the short term has been negligible. The process included the restructuring of 152 public institutions from 19 different sectors, and thus is expected to give rise to important long-term fiscal savings.⁷ There has also been a reduction of 24,578 public sector positions, with a consequent saving of 328 million US dollars.⁸ Commentators pointed out that the outsourcing of certain activities does, however, make it difficult to see how much has really been saved so far in this regard.⁹

The Inter-American Development Bank (IDB) recently approved a loan to Colombia to help the national public administration. The aim is to generate a greater degree of citizen participation in government through a higher degree of transparency in government operations. Greater use will be made of e-government and e-procurement to increase efficiency and fairness.

Coordination and management of budgetary activities

The budget process in Colombia is centralised in the Ministry of Finance and Public Credit (MoF).¹⁰ The Fiscal Policy Council (CONFIS) -- an inter-ministerial council chaired by the finance minister -- coordinates and manages

the fiscal process between the central government and the rest of the public sector.¹¹ The CONFIS approves the budgets of state-owned enterprises, which are drafted following the same principles and guidelines as the Budget Statute. Budgetary responsibility is divided between the MoF (responsible for the operating budget) and the National Planning Department (DNP - *Departamento Nacional de Planeación*) (responsible for the investment budget). The DNP reviews and approves investment projects, which in practice constitutes the remainder of the budget that is not earmarked, and also has power to establish spending ceilings over certain institutions. The DNP is not officially a ministry, but the director reports directly to the president. The division of responsibility for the budget between the MoF and the DNP ensures that there are some checks and balances in the fiscal process. As such, the DNP director can be said to ‘monitor’ the transparency of the budget, as any gaps will impact the investment budget that is under his supervision.¹² However, some say this division inhibits the production of a comprehensive budget resulting in budget proposals that exceed available resources.¹³ Finally, the National Council of Economic and Social Policy (CONPES) -- which is chaired by the president -- determines the transfer of resources from state-owned enterprises to the government.

The national government determines the programmes and criteria for the administration of transferred resources, while the sub-national governments are responsible for programme administration. Law 715 introduced incentives for the enhancement of fiscal and administrative efficiency at the sub-national level, and prevents these governments from using resources to issue debt or any type of securities.

Colombia is implementing the recommendations of an IMF study on fiscal decentralisation, which was established by the 1991 constitution in order to improve the efficiency of public spending, particularly in health and education. The plan involved moving the responsibility for expenditure to the local and regional governments, financed by revenue sharing from the central government and increased reliance on local taxes. However, the decentralisation process has encountered a number of problems, as identified by the IMF. The allocation of expenditure responsibilities among the different levels of government is unclear, leading to duplication of spending in a number of areas; transfers from the central government are subject to extensive earmarking, which makes it difficult for sub-national governments to manage spending flexibly; and there may be rising contingent liabilities, especially for transport and energy projects. Improved coordination of decentralisation issues would be beneficial, as would improvements in information, control and audit systems across sub-national governments. CONPES is developing a strategy to strengthen decentralisation.¹⁴

However, important progress has been made over the past year in improving the regional and municipal budget reporting systems as part of a joint project of the MoF, the National Accounting Office and the DAF (Departamento de Apoyo Fiscal -- which deals with regional governments within the MoF). The system being implemented seeks to improve the quality and speed of reporting. CONFIS is already using the system to access the National Accounting Office’s data on a sample of regional and municipal budgets, which has helped to significantly improve the understanding of these regions’ income and expenses.¹⁵ The Office of Territorial Development (DDT - Dirección de Desarrollo Territorial) of the DNP has also worked to improve the reporting of the fiscal balance of all municipalities and regions. Reports on the fiscal performance for the regions and municipalities are available for the year 2004.¹⁶

The system for transferring revenues to local and regional governments was reformed in 2001; this was instrumental in establishing fiscal discipline at the local government level. As noted by the IMF, ‘while local governments ran deficits through the 1990s, they began to achieve small surpluses in 2001, and reached a surplus of 1.3% of GDP in 2004’ (the central administration continues to run a deficit).¹⁷

Transfers from the central government to local and regional governments are constitutionally mandated to increase by 2.5% from 2006 to 2008.¹⁸ As of 2008, the current temporary regional transfers regime expires. Revenue sharing is to return to the pre-2002 system, with transfers growing in line with the average growth in the central government’s current revenues for the preceding four years. Transfers (currently around 35% of current revenues) may not be less than 42% of current revenues (the share in 2001). This poses a potential risk to the finances of the

central government, starting in 2009. The IMF has suggested holding these transfers constant in real terms in order to strengthen the central government balance and the overall fiscal position, providing the prohibition of local and regional governments to run deficits is maintained. By December 2005, the government will publish a report that evaluates the current system of sharing revenues with local and regional governments, with a view to ensuring medium-term fiscal sustainability at all levels of government.¹⁹ The government is of the opinion that the correct formula for regional transfers is inflation plus two and a half points of GDP.²⁰

As noted by the World Bank, Colombia has made progress in modernising and automating its public financial management (PFM) and information systems, particularly with regard to the implementation of central government's information management system (SIIF). However, the World Bank notes that SIIF has not been implemented uniformly, and that there is a need for an integrated vision of an overall PFM system. They note duplication and overlapping agency responsibilities, which hinder the setting and achieving of clear PFM goals. In response to these weaknesses, the government is working to eliminate any overlaps in responsibilities, and an Inter-Governmental Policy and Information Management Committee has been created.²¹ In general, there has been a more efficient management of the budget this year.²²

Relations between government and public sector agencies

Colombia has a number of autonomous and independent institutions defined by the constitution and the law. The central bank enjoys financial, technical and administrative independence. The central bank thus has authority to regulate monetary, financial, and foreign exchange markets and can only lend to the government with the unanimous approval of all members of the board of directors of the BanRep. The Constitution of 1991 and the BanRep Law call for the coordination of macroeconomic policy between the BanRep and the executive. This coordination occurs every year during the design of the overall macroeconomic framework, which is set out in the Annual Macroeconomic Plan and issued by the CONPES.²³ However, in the event of conflict between the fiscal and monetary authorities (and their respective objectives), the BanRep Law specifies that the objective of price stability should prevail.²⁴ The minister of finance chairs the board of directors of the BanRep, thereby reinforcing this principle of coordination, but the minister does not have power to veto monetary board decisions.

The Superintendent of Banks and Financial Institutions (SBIF) exercises oversight of financial institutions in Colombia but lacks independence from the government; it does not have the necessary financial and administrative autonomy, and decisions of relevance require approval by the minister of finance. In the past, this situation led to an increase in fiscal risks owing to relaxed oversight.²⁵ The current administration submitted a reform to the Financial Statute that contained provisions to increase the independence of the SBIF by providing administrative and financial autonomy, but the reform was not approved by Congress. However, over the past year the decision was made to merge the SBIF and the Superintendent of Securities. The merger will likely begin to be implemented in January 2006. A new Financial Superintendent, Augusto Acosta, has already been appointed. The idea is to have a new, better prepared and better funded superintendent to supervise the financial markets as a whole and who has all the necessary tools to strengthen its capacity and autonomy from the central government and other forms of influence.²⁶

State-owned enterprises hold over 20% of assets in financial markets and are prominent in the telecommunications and energy sectors. However, successive governments have increased private sector participation and established independent regulatory agencies for telecommunications, energy, television, and water supply/management.

The relationship between non-financial public enterprises and the government is clearly defined in the law. Non-financial public enterprises are required to submit quarterly reports to CONFIS on their financial and operational performance. These enterprises perform substantial quasi-fiscal operations, including the provision of insurance, health services and pensions for the poor, but the subsidies to these activities are not clearly identified in the budgetary or fiscal reports. There has been some improvement with the quantification of some quasi-fiscal activities now detailed in the MTEF. In recent years, concern has arisen regarding the financial solvency of some state-owned

enterprises, many of which have accumulated debt and are subject to substantial contingent liabilities from public-private partnerships.²⁷

There has been an improvement in the quarterly reporting of the deficit of the non-financial public sector. The lags in these reports have been reduced substantially and there is a commitment both from the MoF and other organisations to continue reducing this delay (this commitment is for quarterly publication, not monthly).

Government involvement in the private sector

Last year, Finance Minister Alberto Carrasquilla confirmed the planned privatisation of around ten billion US dollars of state assets over the next five years. This will be one of the most significant privatisation programmes in Latin America since the 1990s. The major sectors divested will be banking and energy transmission.²⁸

Following the failed privatisation of Bancafé in early 2004, the bank is being restructured in order to improve its efficiency and performance indicators. The aim is to have it at the point of sale by the end of the year. Granahorrar was sold on 31 October 2005 to Banco Bilbao Vizcaya Argentaria (BBVA), for more than twice the anticipated price, completing the government's privatisation plans for 2005. The next entity up for sale is Ecogas, which operates the country's natural gas pipelines. This will likely be followed by several regional electricity firms including the Electrificadoras de Boyacá, and then Banco Santander.²⁹

There should be a clear legal and administrative framework for fiscal management

Legal framework for budgetary activities

Articles 345-55 of the constitution establish a general framework for the budgetary process, which is further developed by the Organic Statute of the Budget (*Estatuto Orgánico del Presupuesto Nacional* -- EOP). The government drafts its budget bill (*Presupuesto General de la Nación* -- PGN) and submits it to the Chamber of Deputies on 20 July. Both Congressional chambers must approve the bill by 20 October of the same year. Congress may not introduce spending appropriations without the approval of the MoF, but may eliminate appropriations with the exception of appropriations for debt payments. The PGN contains the revenues budget (*Presupuesto de Rentas* -- PR) and the appropriations bill (*Ley de Apropiaciones* -- LA).

The Organic Statute of the Budget, articles seven and eight, mandate that different systems of budget classification may be used when compiling the national budget, but that they must include capital resources, expenditure and investment, the sources of funds, and spending execution. The MoF is working towards the presentation of expenditure according to a standard international classification system.³⁰

The Budget Office of the MoF has broad powers to regulate the budget process, establish spending ceilings, and perform budget cuts. Reallocations of appropriations and additions require legislative approval. However, since appropriations in the budget bill are presented as general aggregated items, in practice this allows the executive to exercise a considerable degree of discretion in the execution of the budget that undermines the principle of legislative approval.

The budget process starts with the preparation of the government's National Development Plan. The plan is then subject to legislative approval. The National Planning Department estimates investment spending for a four-year term while the MoF estimates general spending. These estimates are not reviewed or updated during the presidential term.

In the past two years, the government has taken several steps to improve fiscal planning, budgeting, the availability of information, spending execution and follow-up processes at all levels of government. The Fiscal Responsibility Law, approved in July 2003, establishes principles of fiscal discipline across all levels of government and organises the budget process at the sub-national level. It was a major step forward in terms of fiscal discipline and transparency. The law allowed the establishment of a framework and an evaluation benchmark for short and medium term fiscal planning. This is represented in the Medium Term Fiscal Framework (MTFF), which has already been published twice. This has led to better evaluation of factors that generate expenses across different budgeting periods, such as contingent liabilities, and of the financial impact of new laws. Municipalities are also mandated to produce their own MTFF with multi-year financial plans detailing revenue and primary fiscal balance targets, although progress at the municipal level has been much slower than at the central government level.³¹ In addition, the law prevents municipalities and department level administrations from issuing debt to fund administrative expenses or use national transfers to securitise debt. The Fiscal Responsibility Law complements measures adopted in law 715 of 2001 and 617 of 2000 in improving the fiscal process at the regional level.³² The regulatory framework for the Fiscal Responsibility Law has also been published and implemented. The objective is that by 2007, both the Fiscal Responsibility Law and regulatory framework will be fully applied.

At the national level, the Fiscal Responsibility Law sets fiscal stability rules that limit the fiscal deficit and ensure long-term sustainability of the public debt. The administration is obliged to set a primary deficit level for the non-financial public sector (including sub-national governments) and to establish indicative fiscal deficit targets for the following ten years. The law also includes a series of transparency rules aimed at enhancing the standards of the information released. Financial plans at all levels of the administration are now required to include a statement on contingency liabilities, and an annual report of 'Fiscal and Macroeconomic Results' that assesses the achievement of the objectives set out in the Financial Plan. The Financial Plan is presented annually on the CONFIS website, along with any mid-year revisions. The Fiscal Responsibility Law also requires that if forecasts were different from actual outturns an explanation is provided. This has resulted in more accurate forecasts and has strengthened fiscal responsibility. Some commentators judged that the Fiscal Responsibility Law has improved the planning framework, but that beyond that, it 'lacks teeth'. They maintained that the Budget Code revision submitted to Congress in December 2003 was intended to be the response to this lack.³³

The proposed revision to the Budget Code was intended, *inter alia*, to make expenditure management more flexible. Currently, the executive has discretion over only two billion (approximately) of the 93 billion pesos in the 2005 Budget. The rest is earmarked for expenditure, for example, for foreign debt servicing and regional transfers.³⁴ The revised Budget Code was also intended to: require the adoption of international standards for budget classification; establish provisions for phasing out most non-constitutional earmarked tax revenues while restricting new earmarking; limit the carry over of spending from one year to the next; and restrict the government's power to make spending commitments for future years on projects not authorised under the Development Plan.

Unfortunately, Congress did not approve the revised Budget Code; the reform had been so diluted in Congress that the government withdrew it. The government intends to implement as many provisions as possible of the revised Budget Code by a decree, and will submit the remaining provisions as part of smaller laws that may be easier to pass. The intention is that the degree will be passed by end December 2005. This 'back-up plan' had been prepared in advance by the MoF in case the Budget Code revision did not pass.³⁵

However, many of the provisions of the Budget Code are already being implemented, such as the provision of information on tax expenditures and quasi-fiscal activities, and mid-year budget reporting. A Medium Term Fiscal Framework (MTFF) was produced for the first time in June 2004, which commentators judged to be a very positive development for fiscal transparency. The MTFF is greatly improved this year in terms of the information available, forecasts, contingent liabilities, tax exemptions and quasi-fiscal expenditures. The revised Budget Code had sought to make this reporting a legal requirement.³⁶

Another significant improvement for 2005 has been that for the first time in recent history there was no additional budget presented to Congress (*adición presupuestal*); in general, there has been a more efficient management of the budget this year. The MoF ensured that all expenditures were accounted for in the budget presented to Congress. This has led to improved cash flow and improved planning. The reform to the Budget Code sought to limit the government in requesting budget additions, and this limitation will be included in the proposed decree. There are also plans, from 2006, to remove much of the discretion to micro-manage the budget expenditure agencies.³⁷

Legal framework for taxation

Tax legislation is publicly available, but is complex, and accessing relevant information can be very time consuming. Although Article 158 of the constitution requires that all modifications to national tax laws be included in a single text, in practice this is not done. Furthermore, the tax regime changes frequently.

The constitution allocates authority to create taxes to national, departmental and municipal legislatures.³⁸ The constitution also requires that tax laws clearly define rates, the tax base, and responsibility for tax collection. The executive can only issue taxes without legislative approval in emergencies. Emergency situations and any decisions adopted during the exercise of emergency powers are temporary, and the timeframe is clearly defined by the constitution.

Municipal and departmental taxes are also determined by law, but the framework is often complicated or incoherent. Departmental taxes include taxes on alcoholic beverages and tobacco, while municipal governments tax petrol sales, real estate, and businesses.

The DIAN (*Dirección de Impuestos y Aduanas Nacionales*) is Colombia's tax administration agency. It has administrative and financial independence.³⁹ Taxpayer rights, dispute settlement procedures, and procedures to investigate and audit taxpayers are clearly defined in the Tax Statute.⁴⁰

In the face of congressional opposition, the government in early December 2004 withdrew a major tax reform bill, which had sought to reform the tax structure by narrowing the number of VAT rates and broadening the base of the VAT and income taxes. The current government has, however, made a significant effort to increase the tax base and to improve the efficiency of tax collection. As a result of the last two tax reforms, the implicit VAT base grew from 34% to 38% of GDP between 2002 and 2004. Over the same period, the income tax base expanded from 14.5% to 15.6% of GDP. Domestic tax collection has increased by 12.7% over the past year, and external tax collection by 24% over the same period.⁴¹ Some commentators argued that tax reforms will have a limited effect so long as the budget remains heavily earmarked.⁴²

In March 2006, the government intends to submit to Congress legislation designed to strengthen, simplify and unify the tax structure to make it more efficient. The authorities' powers to negotiate and settle disputed tax arrears and penalties will be enhanced and some penalties for tax evasion will be increased. Measures to centralise and unify tax accounts will be adopted, as well as others to close businesses that evade paying taxes and to report persons with tax arrears to credit bureaus. Additionally, a computerised information system to improve monitoring of tax compliance is being developed. All these efforts should make Colombia's tax structure more efficient and should reduce the current exemptions and distortions, such as the many rates and exemptions of the VAT, and the over-reliance on a number of temporary taxes.⁴³ Details can be found in the MTF.⁴⁴ The plans do not include a reform of the regional transfer system, a development that would significantly help to reduce the structural fiscal deficit -- but which would likely face strong opposition in Congress.

Additionally, there are a series of 'transitional taxes' (for example, the tax on patrimony) that expire in mid 2007, making it a good moment for the passing of a broader structural reform to the tax code. The government will need to locate alternative resources to replace those sources of income. However some commentators expressed doubt that

the reform would be presented in March 2006, given that the reform is likely to hurt big business and President Uribe may wish to avoid such a move ahead of the presidential elections next year. The passage of this law will likely fall to the next government.⁴⁵ This said, in November 2005 the government did announce a mini reform to lower income tax for business. Commentators have been criticising this piecemeal approach to what should be a structural reform package.

Ethical standards for public servants

Law 90 of 1995 sets out ethical standards for public servants and includes the Anticorruption Statute. All public servants must possess a non-conviction certificate and a certificate of no disciplinary sanctions from the Office of the Attorney General. The law contains provisions that prohibit the use of privileged information and certain lobbying practices. Law 734 of 2002 incorporates the disciplinary code for all public servants and includes special provisions for employees of certain institutions such as the DIAN. The Office of the Attorney General is responsible for verifying the disciplinary conduct of public servants.

2. PUBLIC AVAILABILITY OF INFORMATION



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The public should be provided with full information on the past, current, and projected fiscal activity of government.

The government is committed to publishing fiscal information. The National Planning Department publishes the National Development Plan, which details the government's main investment and macroeconomic objectives as well as the four-year investment plan.⁴⁶ The National Planning Department also releases the annual macroeconomic plan, as approved by the CONPES. Since 2000, the MoF website has provided full details of the annual budget.

Information comparable to that in the annual budget is provided for the outturns of the two preceding fiscal years, together with forecasts of the main budget aggregates for ten years following the budget. This is a requirement under the MTFF. Some commentators have noted that this information is aggregated, but once the MTFF is applied in full, there will be a significant improvement in transparency.⁴⁷ The *División de Apoyo Fiscal* (DAF) has yearly publications on budget and debt information for the regions.

Commentators noted that there is good public access to the latest data on the sources and uses of the budget. The National Accounting Office produces quarterly information on the balance sheet of every institution of the government and every municipality, although it is not entirely easy to understand. A project is currently underway to address this, which will help make the data clearer and more user-friendly.⁴⁸

Central government operations

The MoF, under the CONFIS webpage, releases a monthly statement on the preliminary balance of the central government, excluding sub-national governments and state-owned enterprises. The report includes details of revenues, spending, and financing operations. Each report reviews monthly trends and explains short-term variations. Currently, the Integrated Information System (*Sistema Integrado de Información Financiera*) collects data on 84% of the General Budget of the Nation operations, and 93% of the National Budget operations.⁴⁹ All financial decisions made in Congress are now on the CONFIS website.

Until recently there was no systematic effort to publish tax expenditures. However, a number of reforms are currently underway that should address this. In March 2006 the government is to submit to Congress legislation designed to strengthen, simplify and unify the tax structure to make it more efficient.

There has been a considerable improvement over the past two years in terms of the amount and quality of information presented in the Presidential Message to Congress on the Annual Budget Law. There have also been significant improvements in the information available on the MoF and CONFIS websites.

Public sector operations

CONFIS publishes a report of the consolidated public sector, which includes sub-national governments, the central bank, FOGAFIN (the deposit insurance agency), a sample of state-owned enterprises, and the Social Insurance Institute (ISS). The report is published through the annual closing accounts (published annually and every quarter) and the Financial Plan and the Revision to the Financial Plan (published annually). The reports broadly follow the

IMF methodology. In 1999, Colombia began to publish quasi-fiscal operations conducted by the BanRep and by FOGAFIN. These are published by CONFIS and are available on the MoF website.⁵⁰ Beyond this, until recently, there was no systematic effort to publish details of quasi-fiscal operations undertaken by state-owned enterprises, though there has been some improvement with the quantification of some quasi-fiscal activities now detailed in the MTFF.

The MTFF will enforce better municipal and departmental reporting. Budgetary information for the largest departments is now available with a six-week reporting lag after each quarter ends, which is a considerable improvement from previous years. In total, this adds up to 80% of the regions. The remainder have a sixteen-week lag. Each semester, the DAF at the MoF produces a fiscal report of departmental and municipal governments. This information is available with a two month-lag.⁵¹

The Annual Financial Plan, produced by CONFIS, details the non-financial public sector balance using a modified accrual accounting methodology. The BanRep also releases a quarterly report on macroeconomic policy that covers fiscal data. There is a slight discrepancy in deficit figures between CONFIS and BanRep reports, since the latter covers all state-owned enterprises.

Debt reporting

As part of its commitment to the IMF Special Data Dissemination Standard (SDDS), Colombia publishes data on domestic and public external debt. The MoF website provides reports on their composition and maturity terms. The Office of Public Credit under the MoF produces a weekly and quarterly report on domestic government bonds and publishes *ad hoc* special reports. CONFIS has produced a document comparing debt measurement methodologies between the MoF, the BanRep, and the Office of the Comptroller General, which has revealed significant methodological differences.⁵²

Debt is thought to be sustainable in the medium term. As with the deficit and pensions, it is expected that national debt will reach its peak in 2007/2008, and will reduce from then on. Debt has reduced more significantly than was forecast in conservative scenarios such as the MTFF.⁵³

A commitment should be made to the timely publication of fiscal information

There is no legal obligation to supply information to the public or any requirement for periodic publication of information. The legal framework simply requires that the Office of the Comptroller General submit fiscal information to Congress on an annual basis.

Advance release calendars

Although Colombia is committed under the terms of the IMF SDDS to produce advance release calendars, these are not available on the national websites. The calendar and contact information for personnel responsible for posting the information are, however, available from the IMF SDDS website.⁵⁴ Monetary data are published according to the advance release calendar available on the BanRep website.

3. OPEN BUDGET PREPARATION, EXECUTION, AND REPORTING



Enacted

Colombia provides broad information for the current, forthcoming and previous budget years. The budget does not include information about quasi-fiscal activities and presents very limited information concerning its macroeconomic forecast, financial assets and contingent liabilities. However, there has been some improvement with the quantification of some quasi-fiscal activities now available in the MTFF. The executive's year-end reports do not report on steps it has taken to address audit recommendations.⁵⁵

Central government expenditure administration is constrained by a number of rigidities including regional transfers, mandatory transfers to the public pension system, which depleted its reserves in 2004, and multi-annual expenditure for important investment projects. About 94% of the budget allocation is legally earmarked and about 6% has to be included item by item in the budget law.⁵⁶ The revised Budget Code was set to reduce revenue earmarking and scale back multi-annual commitments. The budget inertia will not be addressed by the upcoming decree, so the MoF plans to take a budget flexibility project to Congress, whenever it is politically viable to do so.⁵⁷

Fiscal policy objectives, macroeconomic framework, and risks

Fiscal policy objectives

Fiscal policy objectives are set out in the annual financial plan produced by CONFIS. The plan is released on the MoF website. These objectives are included in the annual macroeconomic plan produced by CONPES, which is available on the respective websites of the National Planning Department and the central bank. A revision of the financial plan is produced mid-year. The Fiscal Responsibility Law requires that if forecasts did not match outcomes, an explanation be given in the form of an annual report of 'Fiscal and Macroeconomic Results' that assesses the achievement of the objectives set out in the Financial Plan. In 2002, for the first time, fiscal policies were determined using a medium-term framework aimed at matching spending requirements and fiscal sustainability.

The government is making an effort to be more target-orientated. It is through the National System of Evaluation of the Results of Public Management (*Sistema Nacional de Evaluación de Resultados de la Gestión Pública, SIGOB*) that the central government, and particularly the National Planning Department, evaluate and follow the results and impacts of their main policies, programmes and investment projects. All targets and the progress made to date in attaining them are available on the SIGOB website.⁵⁸ Most targets have expenditure tied to them so that, in practice, this process enhances budgetary accountability. The presidency also monitors the progress of commitments made in the communal councils (*consejos comunales*).⁵⁹

Macroeconomic framework

The budget bill (*Presupuesto General de la Nación, PGN*) is based on a coherent annual macroeconomic framework. The approval of the framework takes place prior to the approval of the budget. The macroeconomic framework is prepared by the MoF in coordination with the National Planning Department and the BanRep. The authorities utilise a general equilibrium model, prepared in July of the previous fiscal year and submitted by the BanRep to CONPES for approval. The macroeconomic framework discusses the assumptions and risks in broad terms, but the methodology used is not publicly disclosed.⁶⁰

Fiscal risks

The Financial Plan produced by CONFIS includes the macroeconomic assumptions for estimating the consolidated fiscal deficit. Alternative macroeconomic scenarios are now being presented to Congress with the budget for the first time, and this is to be done on a regular basis. The fiscal plans produced by CONFIS have consistently over-estimated fiscal revenues and under-estimated expenses. The underperformance in revenues is frequently the result of higher growth expectations rather than the eventual observed performance.

Law 448 of 1998 and decree 1,849 of 1999 require that the general government should estimate, appropriate, and report contingent liabilities. To cover contingency risks, the government has established a contingency fund administered by the MoF and funded by the beneficiary entities according to their levels of exposure. Until recently, there was no systematic effort to publish details of contingent liabilities. The Fiscal Responsibility Law, however, mandates that the government must present a medium-term fiscal framework (MTFF) before 15 June every fiscal year, which should contain a chapter on the evaluation of contingent liabilities. The MTFF improved this year in terms of the reporting of contingent liabilities, with many more contingent liabilities included. Recorded contingent liabilities are estimated at 4.33% of GDP in the medium-term fiscal framework.⁶¹ The MTFF also includes some scenarios for public debt sustainability. CONFIS also presents a report every quarter to Congress detailing future obligations, as they will be incorporated into budget liabilities in forthcoming years.⁶² The government is also working on completing the valuation of contingent liabilities arising from public-private partnerships (PPPs) by including all past liabilities, in particular those stemming from infrastructure investment.⁶³ Finally, systems are being put in place to track counter-guarantees for sub-national governments. However, as pointed out by the World Bank, the handling of pension liabilities and contingent liabilities related to lawsuits represents an important financial management weakness.⁶⁴

Fiscal contingencies stem mostly from guarantees that Colombia gave to investors during the 1990s, which later increased during the recession years. Pension liabilities are also a major concern, and amount to about 2.6% of GDP.⁶⁵ Information on pension liabilities is available from the MoF website and the BanRep website.⁶⁶

Fiscal sustainability

The Fiscal Responsibility Law, approved in July 2003, ensures and sets fiscal stability rules that limit the fiscal deficit and provide for long-term sustainability of the public debt. Financial plans at all levels of the administration are now required to include a statement on contingency liabilities, and an annual report of 'Fiscal and Macroeconomic Results' that assesses the achievement of the objectives set out in the Financial Plan.

The MoF has entered into debt restructuring agreements with municipal governments. The agreements include an assessment of liabilities and creditors, and sets clear parameters for fiscal solvency and debt payment. These agreements are available on the MoF website.

The two pension reforms passed since 2002 have resulted in a reduction of the stock of pension liabilities in the government balance sheet (owing to the current retirees being fully-funded and not subsidised by the state). However, given that the public pension system depleted its reserves in 2004, mandatory transfers have started to increase sharply. Pension payments will peak in 2007, but they will start decreasing thereafter owing to a legislative act reforming the pension system, passed by Congress on 20 June 2005, aimed at creating a uniform pensions regime. This sets the scene for further follow-up reforms. The reform will cut government payments by 46.7 trillion pesos (20.2 billion US dollars) over 50 years. Currently, pension liabilities are estimated at 149.4% of GDP.⁶⁷ The new law eliminates special pension regimes (except for the military), it eliminates one of the 14 annual payments to pensioners, and it caps monthly pension payments at 25 times the minimum wage. However, the cap only affects those retiring after July 2010, and the payment cut is for those retiring after August 2011. The long-term nature of the reforms means that their immediate fiscal impact is limited.⁶⁸

Budget presentation

Some commentators perceive Colombia as having a poor record of budgetary transparency, although there are a number of important improvements underway to increase the comprehensiveness and transparency of the budget.⁶⁹ In general, there has been a more efficient management of the budget this year.

Data reporting

The Revenue Budget contains estimates of tax revenues, quasi-fiscal taxes, special funds, and revenues of national government agencies. The Appropriations Bill details expenditure classified by institution and disaggregated by type of expenditure.

The MoF is responsible for preparing the Annual Budget Bill. Once approved, the bill is published and the MoF posts the bill on its website. Data can be sorted by government agency, type, revenue, and expense. Interested parties can also review the amount appropriated, payments made, and expenses to be disbursed.

Budget execution and monitoring

Decision 6 of 22 March 2002, requires all government agencies executing investment projects to report to the Director of the Budget Office within the MoF. The Budget Office then posts the information on its website. About 70% of all the budget execution is available online and is broken down by month.

The DNP publishes fiscal results for all sub-national governments. It reports revenues, general and itemised spending, and allocations and execution of government transfers. Over the past three years there have been improvements in expenditure control and efficiency at the local level, with debt levels falling, and with some regions having a fiscal surplus. There is also now better reporting to the centre by regions.⁷⁰ The DAF, the department that deals with regions and municipalities, has yearly publications on budget and debt information on regions. Commentators noted, however, that the information on revenue allocated to education and health (in particular) that is spent by the regions (about 5% of GDP), is very vague.

The government is making an effort to be more target-orientated. The Government has developed a National System for Evaluation of Results of Public Sector Performance (*Sistema Nacional de Evaluación de Resultados de la Gestión Pública*, SINERGIA) is a division of the DNP, and is conducting impact evaluation of public expenditures. It has also started implementing a regional-level integrated information management system and programmes to track financial information expenditure. All targets and the progress made to date in attaining them are available on the SIGOB website.⁷¹ The MTFE is also an important advance, as it measures how much was achieved relative to targets set. This should ensure better continuity.

In terms of sub-national budgetary reporting, while sub-national governments report some fiscal data to a number of institutions, there is a lack of systematic monitoring and integration of complete fiscal data, including expenditure, for the sub-national sector. However, progress has been made over the past year in improving the regional and municipal budget reporting systems.⁷²

Colombia is only in the initial stages of developing a performance-based system of monitoring and evaluation. As noted by the World Bank, at present, the budget process lacks monitoring and evaluation to track the use of public resources and to evaluate the performance of those responsible for implementing it. The National Planning

Department is constructing a Unified Public Financial Investment System (SUIFP) designed to evaluate and monitor investment projects, but it is not yet operational.⁷³

Accounting basis

Law 716 of 2001 sets a clear accounting methodology for all public sector organisations. The law establishes accounting methods to value state owned assets, liabilities, and contingent liabilities. In addition, the law requires government institutions to produce accounting reports twice a year and encourages political control by legislatures and fiscal control by comptrollers at all levels of government.⁷⁴

Colombia is currently making the move from cash to accrual accounting, as stated in the implementing regulations of the Fiscal Responsibility Law. There is currently a mix of the two being used. Full implementation is expected in the medium term. Colombia is adopting International Federation of Accountants (IFAC) reporting standards on the content of financial statements, which now frequently omit public debt and losses of cash and stores.⁷⁵

The National Accounting Office produces quarterly information on the balance sheet of every institution of the government and every municipality. A project is currently underway to help make the accounting data easier to understand for those outside the National Accounting Office.

Procurement and employment

Public procurement in Colombia is formally governed by Law 80 of 1993, which was expected to provide a general and organic procurement law. In practice procurement is guided by several procurement statutes, which apply to different branches of government and administrative sectors. There has also been a proliferation of decrees aimed at clarifying the procurement process and introducing exceptions, which in practice have made public procurement much less transparent. Additionally, Law 80 contains a number of legal loopholes, so many agencies have found it easy to bypass the law.⁷⁶

In this respect, an amendment to Law 80 has been submitted to Congress. It is designed to improve the management of government contracts, and to harmonise procurement and budgeting legislation to ensure that public contracts accurately reflect disbursements. The law will also prevent government agencies from making procurements beyond the annual cash plan (PAC) allocations set out by the MoF. This will reduce budget lags and allow future expenses to be accurately reflected in the fiscal planning and budgetary process. There has been no progress on the passage of this law over the past year.⁷⁷ At one point, the establishment of a National Procurement Council was being considered; however this idea was ultimately discarded. Nevertheless, the amendments to Law 80 include something similar to a National Procurement Council. Some commentators suggested that procurement is likely to prove a difficult area to centralise, particularly when it comes to the issue of military procurement.⁷⁸

The administration is also developing a new electronic procurement system (SEICO) that will centralise procurement information in real time. The system will also disclose reports currently produced by the MoF, the National Publisher, the Office of the Comptroller General, and the Chambers of Commerce.

Fiscal reporting

CONFIS produces a final fiscal report in late December, which presents the consolidated fiscal results for the fiscal year. This report describes the evolution of the main fiscal accounts during the year, including the consolidated balance, the central government balance, and the balance of the sub-national governments and state enterprises. In addition to the CONFIS report, the central bank produces an annual macroeconomic report. Consolidated fiscal results are also now available quarterly on the CONFIS website.

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY

●●●● Compliance in progress

Data quality standards

Data produced by the MoF are reliable and meet international standards. However, there are concerns over data produced by the sub-national governments, which may not accurately reflect debt levels and contingent liabilities.

The administration is committed to producing high quality fiscal data. For that purpose, in 2001, Congress approved the bill on accounting standards (Law 716 of 2001). The law requires all levels of government, as well as all government agencies and state enterprises, to follow a harmonised accounting methodology. Law 734 of 2002 establishes a unified disciplinary code that requires public officials to conform to accurate accounting practices and register fiscal expenses and revenues in a timely way. The code also requires public servants to implement information dissemination and transparency practices set out by the national government, the Office of the General Accountant, and the General Comptroller of the Republic Office.

Some commentators indicated that there were contradictions between some of the statistics of different government departments. The Presidential Message to Congress on the Annual Budget Law, however, has a section that presents a methodology to go from the budget data to the Financial Plan data, with the aim of making these more transparent and consistent.⁷⁹

Independent scrutiny of fiscal information

Independent Audit

The Office of the Comptroller General (*Contraloría General de la República* -- Colombia's supreme audit institution) is responsible for the independent scrutiny of fiscal affairs, including the activities of decentralised agencies and state enterprises (each public entity also has an internal control unit).⁸⁰ In addition, each municipality and department level administration is under the scrutiny of regional comptroller offices. The heads of the regional comptroller offices are elected by the municipal and department-level legislatures, just as Congress elects the national comptroller.

The Office of the Comptroller General is required to report periodically to Congress. It produces an annual fiscal report based on data reported by the different levels of government. The report details the evolution of the main fiscal accounts during the fiscal year and assesses the administrative performance of government agencies and state enterprises. The report also evaluates the impact of the previous year's fiscal policy on the overall macroeconomic performance of the country.

In addition to the annual fiscal report, the Comptroller General is required to provide Congress with an annual report on the management and performance of the office. The Comptroller General also produces ad hoc reports that detail investigations into the fiscal accounts and performance of specific government agencies.

There have been recommendations from some institutions that the technical capacity of the Office of the Comptroller General should be reinforced and that its political independence should be guaranteed, so that its recommendations

can truly contribute to tackling corruption.⁸¹ Public confidence in the Office of the Comptroller General has increased over the past year. It has been proactive in promoting transparency in public finances. For example, it blocked the sale of ETB (Bogotá's public telephone company) to Mexican investors, as it appeared to be under-priced.⁸²

As noted by the World Bank, there is a need for a clarification of the role of the Accountant General in order to avoid accounting and reporting overlaps with the Comptroller General's office. In terms of fiscal control and oversight, while the Comptroller General and the regional comptrollers are charged with external audits, the Auditor General is responsible for supervising administrative management of the Comptroller General and the regional comptroller offices. There are a number of problems in the clarity of roles and responsibilities in practise. For example, both the Comptroller General and Auditor General are charged with issuing external control system regulations and each is required to audit the other, causing an obvious conflict of interest. The Comptroller General is legally responsible for overseeing the use of funds disbursed by the central government, while the regional comptroller offices control funds from other sources. So, the control and audit functions are split, based on the origin of funds, preventing comprehensive control and supervision of public entity performance.⁸³

A further problem is the Comptroller General and Accountant General's use of different accounting standards; while the Accountant General uses accrual-based accounting, the Comptroller General uses cash-based accounting. This makes assessing budget performance and planning difficult. There is a need for a single accounting method for entering and consolidating information, which could then be incorporated into the MoF's Integrated Financial Management Information System (SIIF).⁸⁴

In Colombia there are a number of independent advisers who are invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and the underlying assumptions. Many of these experts previously worked in government, and many move into government from their current positions. Some commentators saw this as a positive thing in that they have a very good understanding of the internal workings. Other commentators felt that there is also a need for more experts with no connection to the government in order to facilitate fresh perspectives and insights.⁸⁵

A consultant, funded by money from the World Bank, is currently reviewing all the models that generate the MTFF and macroeconomic forecasts that support it.

National Statistics Agency

The National Statistics Department (DANE) is responsible for producing and publishing national statistics. However, the department has no obligation to produce and release fiscal information. This authority lies exclusively with the Comptroller General and the Accountant General.

The MoF has recently produced a manual for the preparation and reporting of the budget following the IMF's statistical methodology -- the Government Finance Statistics Manual 2001 (GFS 2001). The government is starting to use the new manual and it is expected that full compliance at the national and sub-national levels will be attained by 2008. (Commentators noted that GFS 2001 standards are currently used to facilitate the comparison of statistics internationally, but are not yet used in producing the budget).⁸⁶ As such, it will change significantly the way budgetary statistics are compiled and reported, and will increase transparency as it will allow for much better economic analysis. A recent IMF mission produced an interim progress report in which they noted that progress has been made based on the agreed milestones in complying with the GFS 2001. At the sub-national level progress has been less noticeable than at the central government level. The decree that will be passed in the wake of the failed Budget Code reform seeks to ensure compliance with accounting standards by 2008.⁸⁷

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Colombia between 1 and 4 November 2005:

Ministerio de Hacienda (Ministry of Finance)

2 November 2005

Carolina Rentería Rodríguez	Director, Budget Office
Walfa Constanza Téllez Duarte	Sub-Director of Budget Analysis and Consolidation, Budget Office
Claudia Marcela Montealegre	Law Advisor, Budget Office
Luis Francisco Azcárate	Finance Advisor, Budget Office
Carolina Durana	Technical Support, Budget Office

Bank of the Republic (BanRep)

3 November 2005

Juan Mario Laserna Jaramillo	Co-Director of the BanRep Board of Directors
Juan Mauricio Ramirez Cortes	Director, Departamento de Programación e Inflación, Subgerencia de Estudios Económicos

ADDITIONAL INTERVIEWS

1 November 2005

Camila Pérez Marulanda	CONFIS Advisor (Government Council for Fiscal Policy)
Verónica Navas	CONFIS Advisor (Government Council for Fiscal Policy)

3 November 2005

Ms. Gory Suarez	Corporación Fondo De Apoyo De Empresas Asociativas (CORFAS)
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4 November 2005

Sergio Clavijo	President of ANIF (Asociación Nacional de Instituciones Financieras) and former Co-Director of the BanRep Board of Directors
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NOTES

¹ Constitution of 1991, available at www.banrep.gov.co/regimen/resoluciones/cp91.pdf

Law 489 of 1998 of the Organization and Functioning of National Entities

² Law 715 of 2001 at www.dnp.gov.co/ArchivosWeb/Direccion_Desarrollo_Social/Educacion/Ley_715_2001.pdf

³ Interviews in Colombia, 1-4 November 2005.

⁴ IMF, 'Article IV Consultation with Colombia', 9 May 2005.

⁵ IMF, 'Colombia: Second Review Under the Stand-By Arrangement and Request for Waiver of Performance Criteria--Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Colombia', January 15, 2004.

⁶ Between 2002 and June 2004, 142 public entities were reformed. Of those, 30 have been eliminated, 38 have reduced their employees and 30 have reduced both their labour and administrative costs. Of the rest, there have been mergers of some entities, the elimination of others and the creation of new, more efficient entities.

⁷ Estimated at 12.9% of GDP in 50 years time. Interviews in Colombia, 1-4 November 2005.

⁸ MoF Memorandum, 'Informe resultados Reformas Verticales Programa de Renovación de la Administración Pública (PRAP)', 20 September 2005.

⁹ Interviews in Colombia, 1-4 November 2005.

¹⁰ Ministry of Finance and Public Credit at www.minhacienda.gov.co

¹¹ The Fiscal Policy Council (CONFIS) can be found under the documents section in www.minhacienda.gov.co

¹² Interviews in Colombia, 2-5 November 2004.

¹³ World Bank report, Country Financial Accountability Assessment, 'Colombia -- Evaluación de la administración financiera en el sector público', Vol. 1 of 1, 13 April 2005.

¹⁴ IMF, 'Colombia: Third Review Under the Stand-By Arrangement and Request for Waiver of Nonobservance of Performance Criterion--Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Colombia', July 13, 2004.

¹⁵ Interviews in Colombia, 1-4 November 2005.

¹⁶ Interviews in Colombia, 1-4 November 2005.

¹⁷ IMF, 'Colombia: Selected Issues', May 2005.

¹⁸ This system has led to a reduction in the value of transfers as a share of GDP from 5.6% of GDP in 2002 to 5.2% in 2006. Total regional transfers (excluding pension payments) currently represent approximately 33% of total spending. MoF publication, 'Colombia: Surpassing Expectations, Growth, Pensions and the Fiscal Deficit', September 2005, p.19.

¹⁹ Interviews in Colombia, 1-4 November 2005 and IMF, 'Colombia: 2005 Article IV Consultation and Fourth Review Under the Stand-By Arrangement, Requests for Waiver of Nonobservance of Performance Criteria and the Completion of the Fourth Review, and Request for Stand-By Arrangement' -- Staff Reports; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for Colombia', 9 May 2005.

²⁰ Interviews in Colombia, 1-4 November 2005.

²¹ World Bank report, Country Financial Accountability Assessment, 'Colombia -- Evaluación de la administración financiera en el sector público', Vol. 1 of 1, 13 April 2005.

²² Interviews in Colombia, 1-4 November 2005.

²³ Law 31 of 1992, Article 4 at www.banrep.gov.co/jdirect/secretaria/RegimenCambiario/ley31.htm

²⁴ Law 31 of 1992, Article 4.

²⁵ The bailout of public financial institutions during the last financial crisis of 1999 - 2000 reached two billion US dollars, roughly 2.71% of GDP.

²⁶ Interviews in Colombia, 1-4 November 2005.

²⁷ For the state-owned telecommunications company (TELECOM) see:

www.minhacienda.gov.co/pls/portal30/docs/FOLDER/REPOSITORIO/CONFIS/BCF-02-2001.PDF

For the state owned oil company (ECOPETROL) see:

www.minhacienda.gov.co/pls/portal30/docs/FOLDER/REPOSITORIO/CONFIS/BCF-01-2001.PDF

²⁸ Oxford Analytica Daily Brief, 'Colombia: Privatisation offers some fiscal relief, 6 August 2004.

²⁹ Interviews in Colombia, 1-4 November 2005.

³⁰ Interviews in Colombia, 1-4 November 2005.

³¹ Interviews in Colombia, 1-4 November 2005.

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- ³² Law 617 of 2000 of fiscal adjustment of territorial governments at: www.superservicios.gov.co/normatividad/normas_compilacion/spd_gral/leyes/2000/ley_617_00.doc
For an analysis see CONFIS document *La Ley de Saneamiento Fiscal de las Entidades Territoriales (BPFC 05 - 2000)*.
- ³³ Interviews in Colombia, 1-4 November 2005.
- ³⁴ Interviews in Colombia, 2-5 November 2004.
- ³⁵ Interviews in Colombia, 1-4 November 2005.
- ³⁶ Interviews in Colombia, 1-4 November 2005.
- ³⁷ Interviews in Colombia, 1-4 November 2005.
- ³⁸ Article 338 of the Constitution.
- ³⁹ See the DIAN website at www.dian.gov.co
- ⁴⁰ Available on the DIAN website at www.dian.gov.co
- ⁴¹ The implicit tax base is defined as VAT collection as a percentage of GDP divided by the general effective VAT rate. MoF publication, 'Colombia: Surpassing Expectations, Growth, Pensions and the Fiscal Deficit', September 2005, p.22.
- ⁴² Interviews in Colombia, 2-5 November 2004.
- ⁴³ IMF, 'Colombia: Second Review Under the Stand-By Arrangement and Request for Waiver of Performance Criteria--Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Colombia', January 15, 2004.
- ⁴⁴ www.minhacienda.gov.co/pls/portal30/docs/FOLDER/REPOSITORIO/COPY_OF_NOTICIASPPAL/JUNIO-30-2004-MFMP.PDF
- ⁴⁵ Interviews in Colombia, 1-4 November 2005.
- ⁴⁶ See the National Development Plan 2002-2006 at: www.dnp.gov.co/01_CONT/POLITICA/PLAN.HTM
- ⁴⁷ Interviews in Colombia, 2-5 November 2004.
- ⁴⁸ Interviews in Colombia, 2-5 November 2004.
- ⁴⁹ Interviews in Colombia, 2-5 November 2004.
- ⁵⁰ Interviews in Colombia, 1-4 November 2005.
- ⁵¹ Interviews in Colombia, 2-5 November 2004.
- ⁵² See CONFIS document '*La Deuda Pública Colombiana: Definiciones, Estadísticas y Sostenibilidad (DOC 02-2002)*'.
- ⁵³ Interviews in Colombia, 1-4 November 2005.
- ⁵⁴ See IMF Special Data Dissemination Standards (SDDS) – Colombia at: <http://dsbb.imf.org/Applications/web/sddscountrycategorylist/?strcode=COL>
- ⁵⁵ Interviews in Colombia, 2-5 November 2004, and the International Budget Project (IBP) www.internationalbudget.org/themes/BudTrans/LA03.htm#Colombia
- ⁵⁶ Interviews in Colombia, 2-5 November 2004.
- ⁵⁷ Interviews in Colombia, 1-4 November 2005.
- ⁵⁸ <http://sigob.presidencia.gov.co/>. Go to "Ingreso para Ciudadanos", then "Sistema de Metas Presidenciales".
- ⁵⁹ These communal councils are a way to encourage citizen participation as part of President Uribe's "Communitarian State model".
- ⁶⁰ For a detail description of the financial programming process in Colombia see '*Programación financiera: Metodos y aplicación al caso de Colombia*', MTF, p.23
- ⁶¹ www.minhacienda.gov.co/pls/portal30/docs/FOLDER/REPOSITORIO/COPY_OF_NOTICIASPPAL/MARCO+FI+SCAL+DE+MEDIANO+PLAZO_0_0.PDF and interviews in Colombia, 1-4 November 2005.
- ⁶² IMF, 'Colombia: Third Review Under the Stand-By Arrangement and Request for Waiver of Nonobservance of Performance Criterion--Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Colombia', July 13, 2004.
- ⁶³ IMF, 'Colombia: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding', 13 April 2005.
- ⁶⁴ World Bank report, Country Financial Accountability Assessment, 'Colombia -- Evaluación de la administración financiera en el sector público', Vol. 1 of 1, 13 April 2005.
- ⁶⁵ Interviews in Colombia, 2-5 November 2004.
- ⁶⁶ See '*Pasivos Contingentes y su Efecto en la Sostenibilidad de la Deuda*' posted on the Ministry of Finance website at www.minhacienda.gov.co

⁶⁷ MoF publication, 'Colombia: Surpassing Expectations, Growth, Pensions and the Fiscal Deficit', September 2005, p.18.

⁶⁸ Interviews in Colombia, 1-4 November 2005. Oxford Analytica Daily Brief, 'Colombia: Pensions reform will have long-term effect', 21 June 2005.

⁶⁹ Interviews in Colombia, 2-5 November 2004.

⁷⁰ Interviews in Colombia, 2-5 November 2004.

⁷¹ <http://sigob.presidencia.gov.co/>. Go to "Ingreso para Ciudadanos", then "Sistema de Metas Presidenciales".

⁷² IMF report, 'Colombia: Selected Issues', May 2005.

⁷³ World Bank report, Country Financial Accountability Assessment, 'Colombia -- Evaluación de la administración financiera en el sector publico', Vol. 1 of 1, 13 April 2005.

⁷⁴ La medición del déficit fiscal en Colombia. Reportes del Emisor No. 35 at: www.banrep.gov.co/docum/pdf/35.pdf. Also see CONFIS document 'Rezago Presupuestal y Deuda Flotante (BPFC 09 - 2000)'.

⁷⁵ World Bank report, Country Financial Accountability Assessment, 'Colombia -- Evaluación de la administración financiera en el sector publico', Vol. 1 of 1, 13 April 2005.

⁷⁶ Interviews in Colombia, 2-5 November 2004.

⁷⁷ Interviews in Colombia, 1-4 November 2005.

⁷⁸ Interviews in Colombia, 2-5 November 2004.

⁷⁹ Interviews in Colombia, 2-5 November 2004.

⁸⁰ See www.contraloriagen.gov.co

⁸¹ See the International Budget Project (IBP) at: www.internationalbudget.org/themes/BudTrans/LA03.htm#Colombia

⁸² Interviews in Colombia, 1-4 November 2005.

⁸³ World Bank report, Country Financial Accountability Assessment, 'Colombia -- Evaluación de la administración financiera en el sector publico', Vol. 1 of 1, 13 April 2005.

⁸⁴ Interviews in Colombia, 1-4 November 2005.

⁸⁵ Interviews in Colombia, 2-5 November 2004.

⁸⁶ Interviews in Colombia, 1-4 November 2005.

⁸⁷ Interviews in Colombia, 1-4 November 2005.